

Message Text

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ACTION AF-10

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FM AMEMBASSY LOME

TO SECSTATE WASHDC 3390

AMEMBASSY BUDAPEST

INFO AMEMBASSY PARIS

C O N F I D E N T I A L L O M E 1 3 9

EO 11652: GDS

TAGS: EMIN TO

SUBJ: FEASIBILITY OF TOGOLESE PHOSPHATIC FERTILIZER FACILITY:

STATUS REPORT

REF: 77 LOME 2036 (NOTAL)

1. IN COURSE CEREMONIES ASSOCIATED WITH DELEGATION TOGOLESE REFINERY, AMBASSADOR WAS APPROACHED BY ANTOINE TABET, 29, AVE D'EYLAU, PARIS, AND MICHEL EDDE, 3 AVE BUGEAUD, PARIS, BOTH FRANCE-LEBANESE DUAL NATIONALS, RE POSSIBILITY USG JOINING IN FINANCING PROPOSED FERTILIZER PLANT. TABET AND EDDE WERE INSTRUMENTAL GO-BETWEENS IN CONCEPTION AND FINANCING OF REFINERY.

2. AMBASSADOR NOTED THAT HE WAS UNAWARE THAT ANY AMERICAN COMPANY OR BANK HAS EXPRESSED SERIOUS INTEREST IN PROJECT TO DATE. IN THIS CONNECTION, HOWEVER, PAST INTEREST OF AGRICO COMPANY WAS REVIEWED INCLUDING FORMER AGRICO PRESIDENT BABBITT'S VISIT TO LIME IN JYLY 1977 (SEE REFTL). TABET AND EDDE WERE INFORMED THAT BABBITT HD RECENTLY PROVIDED ANALYSIS OF FERTILIZER PLANT TO MINISTER OF MINES MIVEDOR. FYI: EMBASSY SOURCE REPORTS THAT GOT FAVORABLY IMPRESSED BY BABBITT STUDY, PARTICULARLY HIS IDEAS ON COMMERCIALIZATION OF PRODUCT. HOWEVER, CONFIDENTIAL

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BABBITT REPORT DOES NOT INCLUDE PROPOSAL FOR HIM TO ASSUME AN EQUITY PARTICIPATION. END FYI.

3. TABET AND EDDE WERE INTERESTED TO HEAR ABOUT BABBITT'S REPORT BUT SAID THAT NATURE OF PROJECT AND COMMERCIALIZATION WOULD BE DICTATED BY MANNER IN WHICH EQUITY CAPITAL EVENTUALLY ASSEMBLED. THEY SAID PROJECT HAD BEEN HUNG UP FOR THREE YEARS

OVER INTRANSIGENCE FRENCH INVESTORS RE FACT THAT PRODUCTION SHOULD BE FIXED AT 1,000 TONS A DAY. THIS WOULD LEAD TO THE PROJECT COSTING \$300 MILLION OR MORE. THEY SAID THEY SUPPORTED A SMALLER PROJECT OF 500 TONS A DAY WHICH WOULD STILL BRING PROJECT UP TO \$150 MILLION OR SO.

4. TABET AND EDDE SAID THAT PROJECT WAS VIABLE AT EITHER PRODUCTION LEVEL BECAUSE OF HIGH QUALITY OF TOGOLESE PHOSPHATE ROCK AND RELATIVE EASE OF ACCESS TO PHOSPHATE DEPOSITS, WHICH COULD LEAD TO PROFITABLY LOW COST OF PRODUCTION. THEY POINTED OUT THAT PROJECT WOULD HAVE TO BE VIEWED AS HAVING TWO COMPONENTS. ONE WOULD BE INFRASTRUCTURAL AND WOULD INCLUDE BUILDING OF ROADS, RAILROAD SPUR, AND SIMILAR ELEMENTS. OTHER WOULD BE CONSTRUCTION OF PLANT ITSELF. WHEN AMBASSADOR SUGGESTED EXPORT IMPORT BANK FINANCING OF EQUIPMENT, THEY WERE NOTABLY UNENTHUSIASTIC, SAYING THEIR EXPERIENCE WITH EXIM WAS THAT THE PROCEDURES WERE SLOW AND THE CONDITIONS VERY EXACTING. THEY SAID THAT THEY HAD CONNECTIONS WITH CHASE MANHATTAN AND WOULD BEGIN EXPLORING AMERICAN FINANCING RATHER MORE VIGOROUSLY BECAUSE ALL CONCERNED WITH THE PROJECT, PARTICULARLY TOGOLESE GOVERNMENT, WERE ANXIOUS TO GO FORWARD WITH IT.

5. COMMENT: THE EMBASSY HAS LEARNED THAT GOT IS PARTICULARLY INTERESTED IN BABBITT'S CONCEPT OF USING LESSER QUALITY PHOSPHATE ROCK FOR THE FERTILIZER PROJECT AND CONTINUING TO EXPORT FIRST-QUALITY ORE. IN THIS CONTEXT, TOGOLESE HAVE SIGNED AN AGREEMENT
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WITH HUNGARY FOR THE DEVELOPMENT OF A PROCESS WHICH WILL RECOVER PHOSPHATE PARTICULES FROM THE WATER WHICH IS USED TO WASH THE ROCK. THIRTY-FIVE HUNGARIAN TECHNICIANS WILL ARRIVE SHORTLY TO BUILD THE FACILITY. PALMER

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